

KGETLENGRIVIER LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2007



I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 20, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 15 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mrs. N Motsitsi-Kalil
Municipal Manager

Date

KGETLENGRIVIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

These financial statements have been prepared to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice (1997) and Report on Published Annual Financial Statements (Second edition – January 1996).

The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy Note (a).

The financial statements are prepared on the accrual basis as stated:

- Income and expenditure are brought into account in the year to which it relates
- Income is accrued when collectable and measurable. Certain direct income is accrued when received, such as traffic fines and certain licenses
- Expenditure is accrued in the year it is incurred

In line with MFMA circular 44 of 25th July 2007 read in conjunction with circular MFMA circular 18 dated 23rd June 2005 and MFMA circular 36 dated 11 July 2006, though not necessary the municipality informed the treasury of its continuation of preparing the financial in same standards as 2005/06

a. FIXED ASSETS

Assets financed from loans and advances from the Capital Development Fund are shown at cost price until the loan or advance has been redeemed in full.

Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the Balance Sheet is tantamount to a provision for depreciation. However, certain structural differences do exist. By way of this "Provision", assets are written off over their estimated useful life. After the loan or advance from the Capital Development Fund has been redeemed in full, depreciation is calculated at cost, using the reduced balance method over the estimated useful life.

All net proceedings from the sale of fixed property are credited to the Land Trust Fund, excluding Housing, which is handled in terms of the Housing Act, 1997 (Act 107 of 1997). Net proceeds from the sale of all other assets are credited to the Capital Development Fund.

Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged annually to the service concerned at the ruling interest rate applicable.

b. INVESTMENTS

Investments are made in accordance with the investment policy of the Council. All investments are reflected in the statements at the original purchase price (cost price) or market value. All investments are made at approved banks and financial institutions in terms of the MFMA Act No 29 of 1999.

c. INVENTORY

The value of stock/inventory is shown at the average cost price and redundant/obsolete stock must be written-off regularly.

d. PROVISIONS

Provision for Bad Debt

Provision for bad debt is made by means of an annual contribution of electricity and water levies, debtors' revenue from Fire Brigade Services and Rentals, excluding housing schemes and the Fresh-produce Market. All resultant bad debts will be written off against the provision. The annual contribution is determined by calculating the estimated non-payment by debtors for the financial year.

Provision for Accumulated Leave

Leave provisions is recognised only if;

- _ a present obligation (legal or constructive) has arisen as a result of a past event
- _ payment is probable, and
- _ the amount can be estimated reliably.

The amount of leave recognised in the financial statements is based on a 100% of leave days not taken.

e. Related Parties

Related party transactions are recognised in the annual financial statements at arms length.

General disclosure

Kgetlengrivier local municipality is controlled by the Bojanala Platinum District Municipality, which has the national government as its ultimate controlling institution

Kgetlengrivier local municipality has received the grants and subsidies from national and provincial government as detailed in APPENDIX D.

The remuneration paid to section 57 managers, municipal manager, Chief Financial Officer and the Councillors is detailed in note 15.

Arrear councillor accounts are included in debtors are detailed in note 15.

KGETLENGRIVIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. ACCOUNTING POLICIES (Cont'd)

f. Income recognition

Service charges relating to electricity and water are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed.

The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly. Interest and rentals are recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Assessment rates

A site rating system is applied. In terms of this system assessment rates are levied on the land value of property and rebates are granted subject to certain conditions.

Government and Provincial Grant

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

g. Leases

Finance

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. All other leases are classified as operating leases. Classification is made at the inception of the lease.

Operating

A lease is classified as a operating lease if all the risks and rewards incident to ownership have not been transferred.

h. Funds

Housing Development Fund

The Housing Development Fund is maintained in accordance with the Housing Act, 1997 (Act 107 of 1997).

Capital Development Fund

In accordance with Ordinance 9 of 1978 an annual minimum contribution of 1 % of the total revenue of the preceding financial year is transferred from the Operating Account to the Capital Development Fund. Advances are made out of this fund to the Capital Account. The redemption on advances commences in the financial year following on the financial year in which the advance was made. The interest payable by borrowing services is determined annually by the Council.

Loss Reserve (Insurance) Fund

The Council operates its own Insurance Fund and the premiums are calculated on the basis of the value of insured assets (with due allowance for claims experience) and to make provision for asset losses, contingencies and liabilities, are recovered by way of a monthly debit against the various Departments. Re-insurance cover is obtained for possible major losses. Premiums charged to the respective services, take into account past claims and the replacement value of the insured assets.

Equitable Shares

The Equitable Share of revenue for local government is determined pursuant to the Division of Revenue Act, which is modified annually to take account of the current fiscal situation. The Act determines the vertical division of nationally raised revenue among the three spheres of government. The local government's Equitable Share is then distributed to individual municipalities by the Department of Provincial and Local Government based on a formula that ensures an equitable and predictable system of transfers.

The Equitable Share for local government enables the municipality to provide basic services to low income households and ensure basic services are provided. It is the responsibility of municipalities to establish appropriate targeting mechanisms for passing this subsidy to the poor. The Department issued guidelines to assist municipalities in targeting poor households in the provision of basic municipal services.

**KGETLENGRIVIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

1. ACCOUNTING POLICIES (Cont'd)

h. Funds - (Cont'd)

Land Trust Fund

This fund was established and is maintained in terms of section 79 of the Local Government Ordinance, 1939 (Ordinance 17 of 1939). The purpose of this fund is to accumulate the proceeds of all Council owned land sales. This fund is utilized for land development in respect of Council owned land. If the Council must obtain land, this fund is utilized for that purpose.

RESERVES

Library Books

An annual contribution is made to this reserve from the operating account. The purpose of this reserve is to make the process of the purchase of library books easier and not to limit it to one financial year.

**KGETLENGRIVIER LOCAL MUNICIPALITY
BALANCE SHEET AS AT 30 JUNE 2007**

	Note	2006/2007 R	2005/2006 R
<i>CAPITAL EMPLOYED</i>			
FUNDS AND RESERVES		19 047 128	18 612 358
STATUTORY FUNDS	2	13 717 746	13 282 976
RESERVES	3	5 329 382	5 329 382
RETAINED SURPLUS	18	50 863 973 69 911 101	20 828 571 39 440 929
TRUST FUNDS	4	2 309 690	2 304 318
LONG-TERM LIABILITIES	5	18 086	21 723
CONSUMER DEPOSITS	6	1 020 509	986 295
		<u>73 259 386</u>	<u>42 753 265</u>
<i>EMPLOYMENT OF CAPITAL</i>			
FIXED ASSETS	7	14 271 281	13 825 241
INVESTMENTS	8.1	3 264 706	15 336 885
LONG-TERM DEBTORS	9	-	3 332
		<u>17 535 986</u>	<u>29 165 458</u>
NET CURRENT ASSETS		55 723 400	13 587 807
CURRENT ASSETS		64 358 637	63 355 940
STOCK	10	1 050 843	786 608
DEBTORS	11	35 892 412	31 227 436
SHORT-TERM INVESTMENTS	8.2	16 973 980	5 043 124
LONG-TERM DEBTORS: SHORT-TERM PORTION	9	26 513	40 592
CASH		<u>10 414 889</u>	<u>26 258 180</u>
CURRENT LIABILITIES		8 635 237	49 768 133
CREDITORS	13	6 887 143	48 185 235
PROVISIONS	12	1 730 143	1 564 946
LONG TERM LIABILITIES: SHORT-TERM PORTION	5	<u>17 952</u>	<u>17 952</u>
		<u>73 259 386</u>	<u>42 753 265</u>

**KGETLENGRIVIER LOCAL MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

2005/2006 Actual Income R	2005/2006 Actual Expenditure R	2005/2006 Surplus/ (Deficit) R		2006/2007 Actual Income R	2006/2007 Actual Expenditure R	2006/2007 Surplus/ (Deficit) R	2006/2007 Budget Surplus/(Deficit) R
22 126 225	21 926 531	199 694	RATES AND GENERAL SERVICES	51 176 043	21 880 986	29 295 058	(3 908 303)
16 247 916	15 575 173	672 743	Community services	40 165 338	14 565 584	25 599 754	(2 354 953)
938 430	3 762 152	(2 823 722)	Subsidised services	799 837	3 159 418	(2 359 580)	871 244
4 939 879	2 589 206	2 350 673	Economic services	10 210 869	4 155 984	6 054 885	(2 424 593)
64 009	-	64 009	HOUSING SERVICES	76 802	-	76 802	(71 195)
10 822 603	7 696 230	3 126 372	TRADING SERVICES	34 137 602	32 430 117	1 707 484	959 564
<u>33 012 837</u>	<u>29 622 761</u>	<u>3 390 076</u>	TOTAL	<u>85 390 447</u>	<u>54 311 103</u>	<u>31 079 344</u>	<u>(3 019 933)</u>
		<u>6 267 291</u>	Appropriations for the year (refer note 18)			<u>(1 043 942)</u>	
		9 657 367	Net Surplus/(Deficit) for the year			30 035 404	
		<u>11 171 204</u>	Accumulated Surplus/(Deficit) beginning of the year			<u>20 828 571</u>	
		<u>20 828 571</u>	ACCUMULATED SURPLUS AT THE END OF THE YEAR			<u>50 863 975</u>	

KGETLENGRIVIER LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2006/2007 R	2005/2006 R
CASH RETAINED FROM OPERATING ACTIVITIES		27 454 582	78 355 623
Cash generated by operations	19	27 145 549	15 338 601
Investment income	17	94 111	1 441 754
Increase in working capital	20	(46 193 089)	27 136 614
		(18 953 429)	43 916 970
Less: External interest paid	17	3 709	3 762
Cash available from operations		(18 957 138)	43 913 208
Cash contributions from public and State		46 411 720	34 442 415
CASH UTILIZED IN INVESTING ACTIVITIES			
Investment in Fixed assets	App "C"	(43 435 559)	(49 947 293)
NET CASH FLOW		<u>(15 980 977)</u>	<u>28 408 330</u>
CASH EFFECTS OF FINANCIAL ACTIVITIES			
(Decrease)/Increase in long-term loans	21	(3 638)	(3 117)
(Increase) / Decrease in cash investments	22	141 323	(3 683 254)
(Increase) / Decrease in cash	23	15 843 291	(24 721 959)
NET CASH (GENERATED)/UTILISED		<u>15 980 977</u>	<u>(28 408 330)</u>

KGETLENGRIVIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2006/2007 R	2005/2006 R
2. Statutory funds		
Capital development fund	10 555 537	10 078 173
Land development fund	1 229 931	1 272 525
Housing development fund	1 932 278	1 932 278
	<u>13 717 746</u>	<u>13 282 976</u>
(Refer to appendix "A" for more details)		
3. Reserves		
Repairs and maintenance	2 366 461	2 366 460
Vehicle fund	46 380	46 381
Loss rental fund	14 829	14 829
Equitable shares	149 652	149 653
VAT Funds Reserve	724 829	724 828
Fire Emergency	2 027 231	2 027 231
	<u>5 329 382</u>	<u>5 329 382</u>
(Refer to appendix "A" for more details)		
4. Trust funds		
Land trust fund	2 154 743	2 149 371
Donation: Government	117 308	117 308
Donation : Public	24 278	24 278
Donation: Books	5 363	5 363
Donation: RDC	7 998	7 998
	<u>2 309 690</u>	<u>2 304 318</u>
(Refer to appendix "A" for more details)		
5. Long-term Liabilities		
External Loans		
Development Bank of South Africa	36 037	39 675
Less: Short-term portion	17 952	17 952
	<u>18 086</u>	<u>21 723</u>
(Refer to appendix "B" for more details)		
Loan is unsecured and bear interest at a rate of 16.05% per annum and redeemable over 15 years repayable by 2011.		
6. Consumer Deposits		
Electricity and water		
Balance at the beginning of the year	986 295	910 226
Net of new/(refunded) deposits	34 214	76 069
Balance at the end of the year	<u>1 020 509</u>	<u>986 295</u>

KGETLENGRIVIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2006/2007 R	2005/2006 R
7. Fixed Assets		
Fixed Assets at the beginning of the year	126 355 437	63 677 038
Fixed Assets acquired during the year	43 435 559	49 947 293
Less: Fixed Assets written off, transferred or sold	0	(12 731 106)
Total fixed assets	<u>169 790 996</u>	<u>126 355 437</u>
Less: Loans redeemed and other capital receipts	<u>155 519 716</u>	<u>112 530 196</u>
Net Fixed Assets	<u><u>14 271 281</u></u>	<u><u>13 825 241</u></u>
(Refer to Appendix "C" for more information).		
8. Investments		
Unlisted investments		
8.1 Long term investments	3 264 706	15 336 885
8.2 Short term investments	16 973 980	5 043 124
	<u>20 238 686</u>	<u>20 380 009</u>
Management's valuation of unlisted investments	<u><u>20 238 686</u></u>	<u><u>20 380 009</u></u>
Average rate of return on investments	6%	6%
Circular number 25 issued by the Provincial Legislature requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investments at a plenary rate to meet commitments.		
No investments were written off during the year.		
No investments have been pledged as security for any funding facilities of the council.		
9. Long-term debtors		
Vehicles loans	-	20 823
Study loans	14 009	14 264
Housing loans	12 504	8 837
	<u>26 513</u>	<u>43 924</u>
Less: Short-term portion	<u>(26 513)</u>	<u>(40 592)</u>
	<u><u>-</u></u>	<u><u>3 332</u></u>
10. Stock		
Electricity	657 105	458 368
Water	292 304	230 685
Diesel	(98 307)	15 035
Petrol	15 501	15 529
Other	184 240	66 991
	<u>1 050 843</u>	<u>786 608</u>
11. Debtors		
Consumer debtors	51 555 310	40 733 375
Suspense debtors	20 369 786	1 289 490
Sundry debtors	967 316	4 204 571
	<u>72 892 412</u>	<u>46 227 436</u>
Provision for bad debts	<u>(37 000 000)</u>	<u>(15 000 000)</u>
	<u><u>35 892 412</u></u>	<u><u>31 227 436</u></u>

A further amount of 22m was provisioned as doubtful debts which is 50% of consumer debtors outstanding for more than 150 days.

Days outstanding in debtors amount to 337 days (2006: 697 days)

KGETLENGRIVIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2006/2007 R	2005/2006 R
12. Provisions		
Leave provision	1 301 440	749 522
Audit fee provision	428 702	815 424
	<u>1 730 143</u>	<u>1 564 946</u>
13. Creditors		
Trade creditors	827 096	687 388
Suspense creditors	-	42 505 682
Sundry deposits	1 343 207	695 004
VAT - suspense	4 698 371	4 103 972
Advance payments	18 470	193 189
	<u>6 887 143</u>	<u>48 185 235</u>
14. Assessment Rates		
	Land Valuation on	Actual Income
	1999/07/01	2006/2007
Residential	11 983 000	1 336 312
Commercial	3 051 000	1 087 614
Taxable values	<u>15 034 000</u>	<u>2 423 926</u>
Taxable property	18 134 000	
Non - taxable property	1 391 000	
<p>Valuations on land are performed every four years and the last general valuation came into effect on 01 July 1999.</p> <p>The basic rate was 6,8c per rand (6,8c - 2005) on land only. No rebate was granted to pensioners and the needy aged.</p>		
15. Councillors' Remuneration		
Mayor's allowance	425 860	222 408
Councillor's allowance	1 198 626	650 440
Councillor's pension contribution	4 701	58 555
	<u>1 629 187</u>	<u>931 403</u>
Councillors with arrears older than 90 days (Note: These are total amounts outstanding as at 30 June 2007 including the portion older than 30 days):		
Medupe, O.D.	14 982	11 809
Naledi, T.G.	8 212	6 577
Mkhabela, J.	6 579	6 101
Mkhabela, J.D.	11 872	10 829
Toute, M.J.	0	4 137
	<u>41 645</u>	<u>39 453</u>
Managers' Remuneration		
Municipal Manager	70 333	440 063
Manager-CFO	193 000	-
Manager: Corporate Services	45 333	348 920
Manager: Infrastructure	266 030	799 591
	<u>574 697</u>	<u>1 588 574</u>
16. Auditors' Remuneration		
Services rendered	<u>360 000</u>	<u>245 000</u>

KGETLENGRIVIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2006/2007 R	2005/2006 R
17. Financial transactions:		
<i>Total external interest earned or paid</i>		
Interest earned	2 462 149	1 441 754
Interest paid	3 709	3 762
	<u>2 462 149</u>	<u>1 441 754</u>
<i>Capital charges debited to operating account</i>		
Interest: External	3 709	3 762
Interest: Internal	58 125	38 431
Redemption: External	5 120	4 436
Redemption: Internal	64 098	59 369
	<u>131 052</u>	<u>105 998</u>
18. Retained Surplus		
<i>Appropriations</i>		
Accumulated surplus at the beginning of the year	20 828 571	11 171 204
Surplus for the year	31 079 344	3 390 076
Appropriations for the year	(1 043 942)	6 267 291
Current year adjustments		(3 249 286)
Prior year adjustments	(1 043 942)	(117 861)
Unidentified difference		(100 267)
Difference between TB and AFS prior year		9 734 705
	<u>50 863 973</u>	<u>20 828 571</u>
<i>Operating account</i>		
Fixed assets	-	-
Contributions to:		
Capital development fund	-	-
Leave fund	-	480 000
	<u>-</u>	<u>480 000</u>

PRIOR YEAR ADJUSTMENTS

This amount relates to a deficit figure from Derby in respect of prior years.
The amount is written-back to the appropriation account in the current year.

KGETLENGRIVIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2006/2007 R	2005/2006 R
19. Cash generated by operations:		
Surplus/(deficit) for the year	31 079 344	3 390 076
Adjustments in respect of previous years	(1 043 942)	9 616 844
Appropriations charged against income	330 128	3 126 982
Capital development fund	330 128	292 982
Provisions and reserves	-	2 834 000
Capital Expenditure	131 052	105 998
Interest paid	61 834	42 193
Internal funds	58 125	38 431
External loans	3 709	3 762
Redemption paid	69 218	63 805
Redemption: Internal	64 098	59 369
Redemption: External	5 120	4 436
Grants and subsidies received from the State	(27 349 904)	(11 691 358)
Non operating expenditure	23 998 870	10 790 060
	<u>27 145 549</u>	<u>15 338 601</u>
20. Changes in working capital		
(Increase)/Decrease in Stock	(264 235)	(298 667)
(Increase)/Decrease in Debtors	(4 664 975)	(13 978 271)
Increase/(Decrease) in Creditors	(41 298 092)	41 337 483
Increase/(Decrease) in Consumer deposits	34 214	76 069
	<u>(46 193 089)</u>	<u>27 136 614</u>
21. Movement in long-term loans (External)		
Loans raised		
Less: Loans repaid	<u>(3 638)</u>	<u>(3 117)</u>
	<u>(3 638)</u>	<u>(3 117)</u>
22. Movement in external investments		
Investments made	141 323	(3 683 254)
Investments realised	-	-
	<u>141 323</u>	<u>(3 683 254)</u>
23. Movement in cash on hand		
Bank balance - Beginning of the year	26 258 180	1 536 221
Less: Cash balances at the end of the year	<u>10 414 889</u>	<u>26 258 180</u>
	<u>15 843 291</u>	<u>(24 721 959)</u>

KGETLENGRIVIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

24. Retirement Benefits

The officials are members of SALA, Municipality Employees Pension Fund, Imatu and Samwu. Councillors are members of the Municipal Councillors Pension Fund. No actuarial valuation has been done in the past for the the above-mentioned funds. Therefore no deficiency or surplus is disclosed.

25. Contingent liabilities and contractual obligations

No liabilities for the period under review

26. Capital commitments

Commitments in respect of capital expenditure:

- Approved and contracted for	-	-
- Approved and not yet contracted for	-	-
	<u>-</u>	<u>-</u>

This expenditure will be financed from:

- Internal sources	-	-
- External sources	-	-
Provincial government	-	-
District council	-	-
	<u>-</u>	<u>-</u>

27. Capital development fund

Outstanding advances to borrowing services

Accumulated fund	10 555 537	10 078 173
Less: External investments	(10 555 537)	(8 996 377)
	<u>0</u>	<u>1 081 796</u>

(Refer to Appendices A and B for more detail)

28. Fees, taxes, levies and contributions paid

Contributions to organised local government	<u>0</u>	<u>0</u>
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	Payment for Year	Arrears at Year End
Audit Fees	706 596	0.00
RCS Levy	3 891	0.00
Skills Development Levy	134 730	0.00
SALGBC Levy	24 271	0.00
PAYE	1 590 678	0.00
UIF	102 031	0.00
Pension Contributions	969 550	0.00
Medical Contributions	686 718	0.00
TOTAL	4 218 465	0.00

KGETLENGRIVIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

29. Material losses, irregular or fruitless and wasteful expenditure

Litigation by Modisakeng Attorneys against the municipality for cancellation of a debt collection contract resulted in a settlement of R 145 000.

An employee of the municipality lost R 25 707.95 of which R 19 380 was recovered from the insurance therefore an amount of R 6 327.95 has been recognised as wasteful expenditure

30. Bank accounts and balances

Account name	Type of account	Bank		Bal: 01-07-2006	Bal: 30-06-2007
Kgetlengrivier Local Municipality	Cheque	ABSA		30 927 305.73	11 569 161.49
Kgetlengrivier Local Municipality	Cheque	ABSA		8 874 042.23	1 807 591.53
Kgetlengrivier Local Municipality	Cheque	FNB		-23.08	119 085.39
Kgetlengrivier Local Municipality	Cheque	ABSA		324 950.89	335 512.90

31. Investment balances

Account name	Type of account	Bank	Account No.	Bal: 01-07-2006	Balance
Kgetlengrivier Local Municipality	Call	ABSA	9065332049	2 000 646.03	79 348.70
Kgetlengrivier Local Municipality	32 Day Notice	ABSA	3024396680	1 000.00	44 169.42
Kgetlengrivier Local Municipality	Fixed Deposit	ABSA	47723221	11 400.00	11 604.89
Kgetlengrivier Local Municipality	32 Day Notice	ABSA	7044359302	41 793.84	1 050.95
Kgetlengrivier Local Municipality	Spiral Plan	ABSA	44303817	1 000.00	1 056.14
Kgetlengrivier Local Municipality	Fixed Deposit	ABSA	2056757639	1 099 247.11	302 833.31
Kgetlengrivier Local Municipality	Fixed Deposit	ABSA	2055333232	1 135 896.47	1 193 232.74
Kgetlengrivier Local Municipality	Fixed Deposit	ABSA	2055768116	1 000 000.00	1 233 015.62
Kgetlengrivier Local Municipality	Fixed Deposit	ABSA	2059373814	11 278.02	11 942.59
Kgetlengrivier Local Municipality	Fixed Deposit	ABSA	2063273482	1 250 000.00	1 085 500.00
Kgetlengrivier Local Municipality	Fixed Deposit	ABSA	2064091904	1 250 000.00	1 356 875.00
Kgetlengrivier Local Municipality	Fixed Deposit	ABSA	2064091873	16 799.00	1 356 875.00
Dorpsraad van Koster	32 Day Notice	FNB		1 445.44	
Koster Plaaslike Oorgangsraad	Saving	FNB-Closed	60275079777	12 744.53	0.00
Kgetlengrivier Plaaslike Munisipaliteit	Fixed deposit	FNB	71086081968	1 000 000.00	1 852 129.52
Kgetlengrivier Plaaslike Munisipaliteit	Fixed deposit	FNB	71078749350	2 500 000.00	2 500 000.00
Kgetlengrivier Plaaslike Munisipaliteit	Fixed deposit	FNB	71110296566	1 852 129.52	1 000 000.00
Kgetlengrivier Plaaslike Munisipaliteit	Fixed deposit	FNB	71039175594	-	13 631.55
Kgetlengrivier Plaaslike Munisipaliteit	32 Day Notice	FNB	74037426985	0	1 526.73
Kgetlengrivier Plaaslike Munisipaliteit	Besigheid	FNB		(23.08)	
Die Dorpsraad	Investment policy	Momentum	UL8626657	1 452 118.00	1 815 916.00
Kgetlengrivier Local Municipality	Money Market	ABSA	9074506508	699 410.11	1 020 725.92
Kgetlengrivier Local Municipality	Money Market	ABSA	9099492039	1 987 026.00	247 528.81
Kgetlengrivier Local Municipality	Unit trusts	Old Mutual	12141935	935 544.30	1 013 456.91
Kgetlengrivier Local Municipality	Unit trusts	Old Mutual		868 540.28	0.00
Kgetlengrivier Local Municipality	Investment policy	Old Mutual		243 150.56	0.00
Munisipaliteit Swartuggens	Investment policy	Sanlam	49912548	402 772.42	435 333.83
Kgetlengrivier Local Municipality	Money Market	ABSA-Closed	9158895283	226 870.00	0.00
Kgetlengrivier Local Municipality	Fixed Deposit	ABSA	477422705	302 833.31	16 799.00
Kgetlengrivier Local Municipality	Call	ABSA	9098989605	76 387.14	1 668 849.81
Kgetlengrivier Local Municipality	Call	ABSA	9057982294		2 073 215.67

20 380 009.00 20 336 618.11

32. MFMA Compliance

The municipality did not comply with the following sections of the Municipal Finance Management Act, 2003 (Act No. 25 of 2003):

No internal audit and audit committee exist as required by section 165(1) and 166(1) respectively. We have used the shared services at Bojanala District municipality to address some of the responsibilities of the foregoing.

A complete fixed asset register was not kept as per section 96.

Various sections of Supply chain management regulations, read with section 111 of the MFMA were contravened.

Section 178(2) requiring that certain documents be submitted to National Treasury was not complied with.

KGETLENGRIVIER LOCAL MUNICIPALITY

APPENDIX A

Accumulated Funds, Trust funds, Reserves and Provisions

	Balance at 2006/06/30	Open. balance Difference	Contributions during the year	Interest on investments	Other Income	Written off during the year	Expenditure during the year	Balance at 2007/06/30
	R	R	R	R	R	R	R	R
Statutory Funds:								
Capital development fund	10 078 173	-	330 128	147 235				10 555 537
Land development fund	1 272 525					(42 594)		1 229 931
Housing development fund	1 932 278							1 932 278
	<u>13 282 976</u>	<u>-</u>	<u>330 128</u>	<u>147 235</u>	<u>-</u>	<u>(42 594)</u>	<u>-</u>	<u>13 717 746</u>
Reserves:								
Repairs and maintenance	2 366 461							2 366 461
Vehicle fund	46 380							46 380
Loss of rental	14 829							14 829
Equitable share - Derby	149 652							149 652
VAT Fund Reserve	724 829							724 829
Fire Emergency	2 027 231							2 027 231
	<u>5 329 382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5 329 382</u>
Trust Funds:								
Land trust fund	2 149 371			5 000	372			2 154 743
Donation: Government	117 308							117 308
Donation : Public	24 278							24 278
Donation: Books	5 363							5 363
Donation: RSC	7 998							7 998
	<u>2 304 318</u>	<u>-</u>	<u>-</u>	<u>5 000</u>	<u>372</u>	<u>-</u>	<u>-</u>	<u>2 309 690</u>
	<u>20 916 675</u>	<u>-</u>	<u>330 128</u>	<u>152 236</u>	<u>372</u>	<u>(42 594)</u>	<u>-</u>	<u>21 356 818</u>

KGETLENGRIVIER LOCAL MUNICIPALITY

APPENDIX B

External Loans and Internal Advances

	Balance at 30/06/2006	Balance at the year	Redeemed / write off during the year	Balance at 30/06/2007
	R	R	R	R
EXTERNAL LOANS				
Development Bank of South Africa				
Issued Loan no. Redeemable				
1996 @ 16.05% L48 2011	25 361		3 638	21 723
@ 10.25% EL46 L.F.P.B. Electricity	14 314			14 314
TOTAL EXTERNAL LOANS	39 675	-	3 638	36 037
INTERNAL ADVANCES - CAPITAL DEVELOPMENT FUND				
Teer Muhlsiaan	-			-
Internal loan Investment	-		626 661	(626 661)
Ford Lazer	29 079			29 079
Switchgear	181 668			181 668
Sub-station	15 286			15 286
Nissan	24 371			24 371
Internal loans Swartruggens	-		475 927	(475 927)
Electricity - L42	-		18 080	(18 080)
Electric cable - L72	-		(38 871)	38 871
Internal loans CDF	-		-	-
Grader - L73	113 374			113 374
Electricity	718 018			718 018
TOTAL INTERNAL LOANS	1 081 796	-	1 081 796	-

KGETLENGRIVIER LOCAL MUNICIPALITY

APPENDIX C

ANALYSIS OF FIXED ASSETS

Expenditure 2006 R		Balance 2006 R	Expenditure 2007 R	Written off/ transferred R	Balance 2007 R
19 963 787	Rates and General Services	62 916 398	15 038 865	0	77 955 263
6 073 097	<i>Community Services</i>	15 395 856	4 600 116	-	19 995 971
2 613 685	Cedrela	3 387 205	4 167 180		7 554 384
	Cedrela library	352	-		352
	LED Brick making project	186 370	-		186 370
	Workshops	17 470	-		17 470
3 453 594	Public works	9 645 100	300 779		9 945 879
	Council	45 687	-		45 687
5 818	Treasury	2 113 672	132 158		2 245 829
2 241 557	<i>Subsidised services</i>	7 150 839	1 689 198	-	8 840 037
157 890	Cemetery	190 457	-		190 457
	Fire Department	6 978	-		6 978
5 235	Library	20 745	-		20 745
2 018	Health	103 427	924		104 351
402 610	Municipal buildings	2 872 161	1 688 274		4 560 434
	Land Account	495 092	-		495 092
60 874	Fixed assets	1 680 674	-		1 680 674
1 612 930	Parks and recreation	1 781 304	-		1 781 304
11 649 133	<i>Economic services</i>	40 369 703	8 749 552	0	49 119 255
	Disaster management	-	956 415		956 415
314 295	Traffic & Licenses	1 077 822	338 550		1 416 372
4 166 184	Cleaning	17 443 693	176 795	(3 956 482)	13 664 006
	Reagile	2 305 040	-		2 305 040
7 168 654	Sewerage	19 543 148	7 277 791	3 956 482	30 777 421
-	Housing services	5 600	-	-	5 600
-	<i>Economic Housing</i>	5 600	-	-	5 600
		5 600			5 600
29 983 507	Trading services	63 433 442	28 396 694	-	91 830 137
29 983 507	Water	63 433 442	28 396 694	-	91 830 137
16 271 091	Electricity	35 645 669	15 938 596		51 584 265
13 712 416		27 787 773	12 458 098		40 245 872
49 947 293	TOTAL FIXED ASSETS	126 355 437	43 435 559	0	169 790 996
49 620 483	Less: Loans redeemed and other capital receipts	112 530 196	67 126 825	(23 998 870)	155 519 716
49 620 483	Loans redeemed and advances paid back	112 530 196	67 126 825	(23 998 870)	155 519 716
63 805	Contributions ex operating income	(570 788)	69 218	362 313	(277 693)
	Grants and subsidies	3 423 744	-	-	3 423 744
44 777 556	General capital	79 845 420	67 057 607	-	146 903 027
4 779 122		29 831 820	-	(24 361 182)	5 470 638
326 810	Net Fixed Assets	13 825 241	(23 691 266)	23 998 870	14 271 280

KGETLENGRIVIER LOCAL MUNICIPALITY

APPENDIX D

Analysis of Operating Income and Expenditure for the year ended 30 June 2007

Actual 2006 R		Actual 2007 R	Budgeted 2007 R
Income			
11 691 358	Subsidies	27 349 904	34 987 000
10 926 525	Equitable share	13 363 000	13 363 000
764 833	Government and Provincial grants	13 986 904	21 624 000
21 321 481	Operating income	58 040 543	27 701 712
2 423 926	Assessment rates	1 676 155	2 559 958
3 433 428	Sale of water	8 574 979	2 833 783
7 369 647	Sale of electricity	25 562 623	9 106 182
8 094 480	Other income	22 226 786	13 201 789
<u>33 012 839</u>	<i>Total income</i>	<u>85 390 446</u>	<u>62 688 712</u>
Expenditure			
15 951 169	Salaries, wages and allowances	17 574 470	10 914 000
12 021 180	General expenses	11 208 002	17 394 862
5 414 525	- Bulk electricity	5 695 531	5 541 008
422 232	- Bulk water	1 148 037	315 601
6 184 423	- Other general expenses	4 364 434	11 538 253
1 064 416	Repairs and maintenance	2 078 804	3 398 615
105 998	Capital charges	445 522	-
-	Contributions to fixed assets	638 087	4 472 530
480 000	Contributions-leave fund	-	5 131 570
<u>29 622 763</u>	Gross Expenditure	<u>31 944 884</u>	<u>41 311 577</u>
	Surplus/(Deficit) for the year	53 445 563	21 377 135

KGETLENGRIVIER LOCAL MUNICIPALITY

APPENDIX E

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

Actual Income 2006 R	Actual expenditure 2006 R	Surplus / (Deficit) 2006 R		Actual Income 2007 R	Actual expenditure 2007 R	Surplus / (Deficit) 2007 R	Budget Surplus/(Deficit) 2007 R
22 126 225	21 926 531	199 693	Rates and general services	51 176 043	21 880 986	29 295 057	(3 908 303)
16 247 916	15 575 173	672 744	<i>Community Services</i>	40 165 338	14 565 584	25 599 754	(2 354 953)
11 124 652	2 425 034	8 699 619	Council general expenses	27 349 904	3 613 587	23 736 317	(7 379 510)
-	453 036	(453 036)	Corporate support services	1 294 610	719 570	575 040	(755 403)
-	1 768 769	(1 768 769)	Municipal Manager	-	1 310 599	(1 310 599)	55 493
2 695 921	4 006 717	(1 310 796)	Treasurer-Budget & Reporting	5 558 364	4 102 540	1 455 823	7 840 867
2 427 343	6 921 617	(4 494 274)	Public works	5 962 460	4 819 288	1 143 172	(2 116 400)
		-	Rates and taxes			-	
938 430	3 762 152	(2 823 722)	<i>Subsidised Services</i>	799 837	3 159 418	(2 359 579)	871 244
31 286	1 168	30 118	Cemetery	28 763	122 080	(93 318)	(132 353)
4 787	133 671	(128 884)	Library	397 512	218 200	179 312	(60 076)
9 415	2 528 641	(2 519 226)	Parks and recreation	258 050	1 212 264	(954 214)	910 583
83 947	16 206	67 741	Fixed property-Housing	74 814	179 149	(104 335)	47 542
20 076	544 703	(524 627)	Health	31 987	733 037	(701 050)	(503 581)
766 424	489 508	276 916	Environmental health	816	624 794	(623 978)	508 267
22 495	44 969	(22 474)	Municipal buildings	7 896	37 787	(29 891)	68 755
-	3 286	(3 286)	Fire brigade	-	32 107	(32 107)	32 107
		-				-	
4 939 879	2 589 206	2 350 673	<i>Economic Services</i>	10 210 869	4 155 984	6 054 885	(2 424 593)
1 949 785	2 196 296	(246 511)	Licensing and traffic	1 676 155	1 915 036	(238 880)	684 409
2 990 094	392 910	2 597 184	Sanitation and refuse	8 534 713	2 240 949	6 293 765	(3 109 003)
		-				-	
64 009	-	64 009	Economical housing	76 802	-	76 802	(71 195)
64 009	-	64 009	Disaster management	76 802	-	76 802	(71 195)
10 822 603	7 696 230	3 126 372	<i>Trading Services</i>	34 137 602	32 430 117	1 707 485	959 564
7 387 321	6 579 077	808 244	Electricity	25 562 623	30 155 704	(4 593 081)	1 807 516
3 435 282	1 117 153	2 318 128	Water	8 574 979	2 274 413	6 300 565	(847 952)
33 012 837	29 622 761	3 390 076	Total	85 390 447	54 311 103	31 079 344	(3 019 933)
		6 267 291	Appropriations for the year (Refer to note 18)			(1 043 942)	
		9 657 367	Net surplus for the year			30 035 402	
		20 828 571	Accumulated surplus/(deficit) at the beginning of the year			20 828 571	
		30 485 938	Accumulated surplus at the end of the year			50 863 973	